Exhibit 14

MPT Q1 2020 Earnings Call Transcript

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Medical Properties Trust, Inc. (MPW)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Q1 2020 Medical Properties Trust Earnings Conference Call.

It is my pleasure to turn today's call over to Charles Lambert, Treasurer and Managing Director. Mr. Lambert, the floor is yours.

Charles Reynolds Lambert

Treasurer and Managing Director-Capital Markets, Medical Properties Trust, Inc.

Good morning. Welcome to the Medical Properties Trust conference call to discuss our first quarter 2020 financial results. With me today are Edward K. Aldag, Jr., Chairman, President and Chief Executive Officer of the company; and Steven Hamner, Executive Vice President and Chief Financial Officer.

Our press release was distributed yesterday and furnished on Form 8-K with the Securities and Exchange Commission. If you did not receive a copy, it is available on our website at www.medicalpropertiestrust.com in the Investor Relations section. Additionally, we're hosting a live webcast of today's call, which you can access in that same section.

During the course of this call, we will make projections and certain other statements that may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause our financial results and future events to differ materially from those expressed and/or underlying such forward-looking statements.

We refer you to the company's reports filed with the Securities and Exchange Commission for a discussion of the factors that could cause the company's actual results or future events to differ materially from those expressed in this call. The information being provided today is as of this date only and except as required by federal securities laws, the company does not undertake a duty to update any such information.

In addition, during the course of the conference call, we will describe certain non-GAAP financial measures, which should be in addition to and not in lieu of comparable GAAP financial measures. Please note that in our press release, Medical Properties Trust has reconciled all non-GAAP financial measures to the most directly comparable GAAP measures in accordance with Reg G requirements. You can also refer to our website at www.medicalpropertiestrust.com for the most directly comparable financial measures and related reconciliations.

I will now turn the call over to our Chief Executive Officer, Ed Aldag.

Edward K. Aldag, Jr.

Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

Thank you, Charles. Good morning and thank all of you for joining us today for our first quarter earnings call. I want to address our portfolio and the coronavirus COVID-19. But first, allow me to acknowledge the incredible work and sacrifices the health care workers all over the world has made to keep the rest of us healthy and safe. Many of these workers risk their own lives to save others. In fact, in places like Italy where we have eight hospitals, many of these health care workers became victims to the virus themselves. I'd like to offer our sincere gratitude to these workers and sympathy to all of their families.

This pandemic has brought an unprecedented focus on health care access, delivery, and particular hospitals. Never has it been more apparent than it is today of the importance of hospitals worldwide. Our hearts have been broken by the tragic stories, pictures, and videos of devastating repercussions of this deadly virus. And our hearts have been warmed as we have seen the good in mankind as individuals, businesses, and governments have come together to assist those impacted physically, financially, and mentally by this terrible disease.

We are so proud of all the health care providers and workers, not only across the nearly 400 MPT-owned hospitals, but also throughout the world as they battle this pandemic and sacrifice sometimes with their own lives. Our portfolio of hospitals and hospital operators remained financially strong. They continue to meet their financial obligations. For April, MPT collected more than [indiscernible] (00:04:16) operators and information we've been able to review, we expect this trend to continue.

Across our portfolio, our hospitals have treated thousands of COVID-19 patients. Following government directives, all hospitals including those in MPT's portfolio stopped most, if not all, elective procedures. Please keep in mind that elective procedures does not mean they are not medically – that they are medically unnecessary, just that they are ones that can be delayed.

These procedures will still need to be performed. Our operators across the globe expect that there will be a large backlog of surgeries, they will need to be done once we all come out of the pandemic crisis. Our operators have been able to right-size their staffs and operations to account for this temporary deferral. Both internationally and domestically, we have seen our post-acute care providers step up – step forward to assist acute care hospitals by offering their value and capabilities to provide for the transfer of certain patients from acute care settings, thereby creating additional capacity for COVID-19 patients in the acute care facilities.

We have also seen operators work in close alignment with their respective federal and local authorities to ensure appropriate coordination in the provisions of healthcare services during this time of crisis. One example of this has been in England where private healthcare providers like MPT portfolio operators circle in BMI and Ramsey have reached a temporary agreement with the National Health Services to fully align operations in both the public and private sector in order to ensure that the capacity needs are accomplished. With this alliance, the England can arrange for the appropriate allocation of resources, both human and material, to the desired points of care. MPT is absolutely supportive of this extraordinary cooperation agreement. As a part of this agreement by the NHS is to assure that operating cost of the hospitals are met, including but not limited to facility rent. This same scenario is being played out with our operators in Spain, Italy and Australia.

Another example is in the hard-hit northern region of Italy where MPT's portfolio operator, PDM, and other private and public hospital systems have been working together to meet the high demand for patient care. These collaborative efforts will be compensated as the Italian government issued a Decree Law indicating the possibility for Italian regions to increase reimbursement for all healthcare operators, including the private ones that care for COVID-19 patients or to non-COVID-19 patients or simply made their beds available by delaying non-life-threatening procedures at the request of the government. These increases would be exempt from the limit on healthcare costs set by regulators previously issued.

In Australia, Healthscope continues to work with the commonwealth, state and territory governments to secure arrangements for providing healthcare services to respond to COVID-19. In Switzerland, our operator, the Swiss Medical Network, worked very closely with the federal government and each [ph] candidate (00:07:33) to develop and implement a plan for dealing with this virus. They expect to be back to full operations in late-May or early June.

In Germany, our largest German operation, Median, has performed superbly. Median expects their overall operations to remain strong throughout the year. André and his team at Median have done an outstanding job adjusting to the COVID-19 virus.

During the height of the crisis, I was in daily contact with the CEOs of all of our largest operators. I cannot stress enough how proud I am of each of them on how they've handled this pandemic and cooperation that they offer to MPT and to me personally. As most of you know, on April 10, 2020, Health and Human Services announced the immediate release of $30 billion of the $100 billion Public Health Emergency Fund provided for by the CARES Act. The fund reimburses eligible healthcare providers for expenses and lost revenue directly attributable to COVID-19. These funds are being released in tranches. The initial $30 billion in immediate relief funds had been delivered to all facilities and providers that received Medicare fees and service reimbursements in 2019.

To-date, our top five operators have received almost $400 million in stimulus funds. Additionally, they've received almost $2.2 billion in Medicare advances. Plans have been announced to distribute a portion of the remaining $70 billion. However, our operators do not yet know the amount of funding that they will receive from this round of stimulus. Additionally, Congress and the President have recently agreed to another $75 billion of funding to providers.

Let me now provide a quick update on the least coverage for our portfolio for the fourth quarter. Remember that we report one quarter in arrears, so these numbers represent the quarter ending 12/31/2019. We added a net of one additional facility to our same-store portfolio. Our same-store portfolio EBITDARM coverage for the trailing 12 months Q4 2019 is essentially flat at 2.7x. Same-store acute care EBITDARM coverage is 2.93x, which represents a slight decline year-over-year. [indiscernible] (00:09:57) EBITDARM coverage is 2.06x, which represents a 4% increase year-over-year, and LTAC EBITDARM coverage is 1.9x, a 19% increase year-over-year. The lease coverages for the first quarter 2020 will be irrelevant when they are reported. We will obviously look for other ways to show how our portfolio and hopefully the world is back up and running.

Remember what I said earlier, all of the elective surgeries and procedures that had been postponed are stacking up. These are procedures that are still medically necessary and in need of getting done. The volume and more will be there when the world is able to focus on providing healthcare without the threat of COVID-19.

In January of this year, we announced the completion of our largest single investment to date of almost $2 billion in 30 UK hospitals with Circle/BMI. As a part of the review and approval process of UK's competition and markets authority, Circle is expected to [indiscernible] (00:10:57) Birmingham hospital operations. Both of these hospitals are a new state-of-the-art facilities that MPT owned prior to the BMI acquisition, and we are confident in the ability to find suitable replacement operators. We continue to have a large active pipeline of [indiscernible] (00:11:15) working. As a part of the COVID-19 crisis, several new opportunities have come to light. We are confident that we will be able to act on these opportunities, but at this time, do not believe it would be prudent to try to predict when these will occur.

We remain very bullish on MPT and hospitals throughout the world. As the first and only pure play hospital REIT, MPT has always seen and understood the importance that hospitals play as the keystone and foundation of healthcare delivery systems throughout the world. I've always said it is impossible to imagine our healthcare systems without hospitals, and at times like this, I don't think anyone can.

At this time, I will let Steve go over the specifics of our financial performance and our very strong balance sheet. Steve?

R. Steven Hamner

Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

Thank you, Ed. I want to take most of our time to focus on our future outlook and expectations concerning rent collections, liquidity, capital expenditures, and growth opportunities. But first, let me briefly review a few matters that are part of our historical quarterly results.

Last night, we reported normalized FFO of $0.37 per diluted share for the first quarter of 2020. As you're all aware, we do not provide calendar earnings guidance, but rather run rate annualized estimates of normalized FFO, generally based on in-place assets and the normalized capital structure. The $0.37 per share we reported last night is consistent with our estimate range of $1.65 to $1.68, taking into account among other reconciling items of the following.

First, as Ed just mentioned, we closed the $2 billion Circle/BMI transaction in early January, subject to the lease agreement that was in place immediately prior to the closing of the transaction. We had agreed with Circle/BMI to amendment to turn to that lease agreement that will become effective upon the approval of the transaction by the UK Competition and Markets Authority. That amendment increases the GAAP lease rate and we will begin recognizing rent based on the newer higher rate. Had these new terms been in effect for the entire quarter, including all of January, our $0.37 per share normalized FFO would have been $0.024 per share higher, all else equal.

By the way, and again as Ed has mentioned, the CMA has concluded that only two markets in the UK will require circle to dispose of any operating subsidiaries. This will have no impact on MPT's pro forma run rate because we're not required to dispose of the related real estate assets. So unless we elect to sell the underlying real estate or otherwise amend those leases any new operator will assume the leases with their existing terms.

Second, because of our extraordinary financial performance in market leading shareholder returns in 2019, which by the way we delivered the sector leading 39% total return to shareholders and also for the 3-year, 5-year and 10-year results, we are now required to assume similar outperformance with respect to the pro performance hurdles in our share based compensation estimates.

And that is even in the face of the potential impact that the COVID crisis may create. These mandated assumptions result in increased expense accruals over the next three years even though there is no assurance that we will continue to generate the levels of operating performance and of total shareholder return that will result in that maximum payout.

If our actual performance is at only the threshold rather than the maximum outperformance level, the quarterly FFO would increase by approximately another $0.01 per diluted share. In general, as a result and of effectively doubling the size of the company in 2019 and growing FFO per share by more than 25% in 2020, our 2020 share based compensation expense is expected to increase by approximately $2.5 million per quarter in excess of the 2019 accruals.

Finally, I will point out a few other items in the quarter that are notable even though they do not affect normalized FFO. Almost two years ago, we disclosed that we would no longer include rental revenue from a relatively small relationship in our pro forma run rate. And we simultaneously recorded impairment charges related to the respective real estate, a facility that the operator ceased operating and closed last year. The impact of the COVID situation has resulted in our decision now to offer to give this facility to the local municipality, resulting in a charge in the first quarter of approximately $9 million. Again, that has no impact on any previously recognized revenue or on our run rate normalized FFO estimates.

Similarly, the COVID impact on traffic at freestanding emergency facilities around the country led us to re-evaluate certain of the freestanding ERs that remain leased duly at of Adeptus. And we have recorded an impairment on those remaining facilities of approximately another $9 million. We simultaneously wrote off an aggregate of about $7.7 million of accrued straight line rent related to these facilities.

As a reminder and a summary of Adeptus, when Adeptus filed for bankruptcy in August 2017, we had committed to approximately $415 million of investment in about 60 facilities. Today, after almost three years post-bankruptcy, we believe the current value of those facilities that we retained along with proceeds from sales in the interim is at least $450 million. And while we have no current plans to dispose of them even in today's pandemic conditions, we are confident that there is a deep and vibrant market for such facilities that are leased to investment grade, locally dominant health care systems such as the University of Colorado Health, CommonSpirit Health Care, which was formerly Dignity and Catholic Health Initiatives, and Ochsner Clinic.

Finally, we recorded an approximate $10 million non-cash unrealized loss in our common equity investment in AEVIS, with most of you will recall was the parent company of our large Swiss hospital operator, Swiss Medical Network, the second-largest private operator in Switzerland. Swiss Medical is fully paid up on its rental obligations. But because AEVIS' primary businesses are hospitals and luxury resort hotels, we are not surprised that as a relatively family traded public company, its equity value has suffered along with other healthcare and hospitality companies worldwide. While we, of course, cannot provide absolute assurance, we are hopeful that its condition [indiscernible] (00:18:35) with respect to Swiss health care and luxury travel, the value of our AEVIS stock will also return to normalcy.

Moving on to the future, as we disclosed last night in our press release and based on these limited exceptional items, our first quarter results are right in line with our expectations, and we were able to reaffirm our annualized run rate guidance at its previous range of $1.65 to $1.68 per diluted share. This range could change possibly materially if the impact of the COVID pandemic causes our hospital operator tenants to be unable to pay us their rental obligations, a risk we described in the April 8, 2020 8-K we filed with the SEC, and is also subject to risk describing last night's press release and in the other risk factors described in our most recently filed 10-K.

But at present, our expectation is that we will collect materially all of the rent and interest currently called for under our lease and other financing contracts. We base this confidence on among other information to follow. We collected 96% of all payments due for the first quarter. In April, in the depths of the pandemic, we collected 96% of all payments due. We continue to expect to collect all of the rent and interest that is due pursuant to our existing lease and loan agreements.

These payments, by the way, were made by our tenants even before the receipt of the government grants and advances that Ed mentioned. Our largest five US operators will comprise 65% of our global monthly cash expectations, received in April alone approximately $2.6 billion in grants and Medicare advances. Our way of perspective this represents more than 10% of their combined 2019 net revenue.

And again, as Ed mentioned in the most recent tranche of additional government COVID stimulus, hospitals were allocated another $75 billion in support. In each other country where we have hospital investments, the respective governments have offered support to compensate our operators for lost revenue so that these hospitals will be available for COVID patients.

But even if after all of this immediate and liquid and future support, certain operators are nonetheless faced with temporary cash flow pressures that result in delayed rent and interest payments. We believe these operators will

be able to recover over a relatively short time and catch up on their payments. It should be clear by now that as we appear to be moving into the back half of this once in a century global crisis, we are very optimistic about the outlook for hospitals and MPT areas of the world.

Most of you have heard us say many times that as MPT people do their jobs and underwrite hospitals that serve a true need in their communities, those facilities are like infrastructure. If they were to close or for any reason could not treat the citizens in their areas, healthcare suffers, people suffer.

Our view remains that communities, governments, providers, payers and investors will join us in that belief more strongly than ever. And that even if in the near-term financial pressures on hospital operators become greater than we presently expect, MPT is extraordinarily well-positioned to transition through any such pressures and take unique advantage of what we expect will be newfound support to maintain overall hospital facilities. To be prepared for future challenges to the world's acute healthcare needs.

Even over the past several years, as we have invested to deliver unmatched growth. Those investments have been well-underwritten, prudently financed and as evidenced by our results in the first quarter and since have contributed great strength to our platform. That strength includes that we have more than $1.8 billion in immediately available cash and liquidity, with no debt maturities for two years and only minimal ordinary course required capital expenditure. Our largest single exposure to any hospital represents less than 3% of our total investments. And the great majority of our facilities around the world are part of master leases that produce the strength that comes with diversity and multiple unconnected markets.

Most reassuring, if we needed proof, it has been abundantly provided that in the countries that MPT invest in, people will not be turned away from hospitals, regardless of cost and regardless of ability to pay. Even more than the statutory support provided by governments of these countries, it is their citizenry, their people who for generations have demanded and been willing to pay to assure that hospitals are available when needed; even if that need occurs only once in a hundred years.

And with that, I will turn the call back to the operator for any questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your first question is from the line of Derek Johnston, with Deutsche Bank.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Hi, everyone. Good afternoon.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Good morning.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Would like to know as much as possible about the international impacts and what funds are available outside the US to assist hospitals and operators going through similar circumstances as we see here in the US; essentially any forms of CARES Act international version or other assistance for your international operators that you could walk us through?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Sure, Derek, this is Ed. From the international standpoint keep in mind that for the most part, they were a month or more ahead of us in this crisis. So we were able to see what their reactions were going to be and overall effects it was going to be on the various hospitals.

Steve mentioned earlier in every single location that we're in, the government has stepped up to assist hospitals, understanding the very important need of all of them and providing care to their citizens. It's been very different from location-to-location, but it has all been extremely supportive.

As I mentioned earlier in the UK as an example, the NHS went with the procedure where they would actually have reached an agreement with the top five, the largest private operators, whereby they would, in essence, control those hospital beds to make them available not so much for the COVID-19 patients but for the non-COVID-19 patients. And in return for that, they agreed to make all of the operating cost of those operators, which includes their rental payments. So, very safe and secure issues there.

In Germany, it's been two different things, our post-acute care operator, which is our largest operator in Germany, has performed exceptionally well. The government recognized the need for the post-acute care providers to be able to take patients from the acute care hospitals to allow the acute care hospitals to be able to have patients and that's available for the COVID-19, and that worked very, very well. Our hospitals in the post-acute care sector in Germany were able to adjust in just a two weeks minimal time. They actually projected they will do – they had, so far, done better in 2020 than they have in 2019 for the same period. Obviously, Germany has just recently reopened. So, we'll get to see how the coronavirus works in a reopening of the societies.

From the standpoint of the acute care providers, our largest acute care provider there is ATOS, and they remain very financially strong. They, like the rest of the world, had not seen the number of COVID patients that I think we all expected in the acute care hospital situations, but they have a very, very strong balance sheet, have a tremendous amount of cash, and have also been protected with what they refer to as an umbrella over the beds that they've made available to the government.

In some of the other states like Switzerland and Italy and Australia, it's more fragmented because it's more state involved than it is federal government involved. But in each case, they have gotten the assurances or actual payments from the local governments to compensate them for making their beds available for either COVID-19 or for the non-COVID-19 patients moving out of the public hospitals. So doing very financially well there even in Italy where they've been hit the hardest.

In Spain, our two most recent hospitals there are primarily cancer-based hospitals. The government has transferred all of their cancer patients from their public hospitals into those hospitals. Their financial situation also remains very strong. So, we feel very good about our international hospitals as well as our domestic hospitals here in the US.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. And just one more from me. So, go back to the US, so the CARES Act set aside over $100 billion, now it seems to be $175 billion to assist hospitals in the form of grants, and I believe these are largely with no repayment. So, as the capital flows through the hospitals in the US and some has already, I guess the question is how much will these grants assist your hospital operators in getting through this tough time and ultimately, is it enough?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

So, Derek, I want to reiterate the point that Steve made at the tail end of his presentation because I think it's very important for everybody to hear and to understand. Long before the CARES Act, long before any of our domestic hospitals here in the US received any funding – additional funding through the CARES Act from the various – from the federal government. Our hospitals were all in good financial shape and we – they all paid their April rent and we didn't expect them to have any issues. They all right-sized their staffs. They were able to move very, very quickly in adjusting their expense levels. And so even before any of them received the first dollar of funding from the CARES Act, they all believed that they were going to continue to be in good shape from their strong balance sheets and their ability to right-size all of their operations.

Now, I don't think we yet know exactly how much of the funding they'll be able to keep long term. Obviously, there is the grasp within there also the Medicare advances. At this point, the Medicare advances that they received are so far larger number than the grants. The repayment schedule for that is set, but there obviously has been some talk about extending that as well. But I want us all to remember that as we go through the finalization of those particular payments that our hospitals were doing well before they received those payments.

Derek Johnston
Analyst, Deutsche Bank Securities, Inc.

Q

Very helpful. And thank you.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Thanks, Derek.

Operator: Your next question will come from the line of Steve Valiquette of Barclays.

Steven Valiquette
Analyst, Barclays Capital, Inc.
Q

Hey. Thanks. Good morning, Ed and Steve. Thanks for taking my questions.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Good morning, Steve.

Steven Valiquette
Analyst, Barclays Capital, Inc.
Q

So, a couple of questions for you. First of all, because we follow the hospital sector, I think I had a pretty good view that the federal grant money, I think, for the most part will be treated as revenue and EBITDA or let's call it EBITDAR. So, I think when you're sort of calculating your coverage ratios going forward, that will be in there. So, I guess we'll see how that plays out. But is there any color you can provide? Do you have any insight on where some of those coverage ratios are shaking out right now that you could share just how much that might have moved just across the overall portfolio, or is it just too premature to give any numbers around that?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah. It's really too premature, Steve. And remember, that of the $2.6 billion that our top five hospital operators have received to date, only $400 million of that represents the grants. The rest of it are in Medicare advances that it's still a little up in the air exactly how that will be treated in the long run. But if you look just overall across the board, hospital operations are probably down 30% or 40%. That's from everything, from surgeries, ER visits and everything.

Obviously, the numbers vary from different sections of the country. For instance, the Northeast obviously did hit much harder than the rest of the country. We've got places that some of our hospital operators haven't had any COVID-19 patients. So they've been sitting there pretty much twiddling their thumbs with a much reduced staff. So, it's hard to say what the coverages are going to be. But we obviously are focused for the last 30 days, 60 days on what is the cash balances and their ability to pay rent without having this additional revenue. And it's all very strong and as we pointed out, we don't expect anybody to miss the rental payments on a substantial basis.

And we don't expect anybody – that no one has asked for any rent abatement. The 4% in the rental payments that haven't been collected, we still expect that those will be collected. They've just been deferred or delayed.

Steven Valiquette
Analyst, Barclays Capital, Inc.
Q

And that's going to be the follow-up actually was for that 4%. How much of that is maybe like officially deferred under some sort of signed agreement or is it just kind of more of a handshake of, hey, don't worry. It'll still be paid [indiscernible] (00:33:16)

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah, Steve. Steve, the vast majority of it, 99.9% of that is from, hey, can't make the full payment right now, but we'll make it up and so it's a little bit more of a handshake. We haven't had anybody ask for official request other than some very, very small tenants that we have. As an example, in the Portugal facility that we acquired last year, we have two small tenants that one is a dentist, and I can't remember what the other is. But other than that, there hasn't been any formal request.

Steven Valiquette
Analyst, Barclays Capital, Inc.
Q

Perfect. Okay. All right, great. Thank you.

Operator: Your next question is from the line of Michael Carroll with RBC.

Michael Carroll
Analyst, RBC Capital Markets LLC
Q

Yeah. Thanks. Ed or Steve, I know in the press release that you guys put out last night, there was some commentary on the strength of your investment pipeline and how that continues to grow. What's your stance right now on new investments? I mean, how aggressive are you willing to be? I mean, has that been delayed here in the near-term or is that something that you're still pursuing right now?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Mike, I think all of it has been delayed. We certainly haven't lost anything. We continue to work on it. But as the COVID crisis really got hot and heavy, even the people that we're working on it with us from the other side have delayed their need to push it as well.

But as I mentioned in my prepared remarks, we've had a couple of things that have come up. Post the COVID crisis that we believe are great opportunities, but not large numbers. So I think, some of those that we can take advantage of because they're opportunistic, they're just aren't very large numbers that will affect our liquidity in a very important way.

Michael Carroll
Analyst, RBC Capital Markets LLC
Q

And do you think that this current environment has, I guess changed private market valuations a little bit to allow you to pursue deals earlier than you would have previously expected or is it holding in there – the valuations holding in there better than you thought?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Mike, I'm not sure anybody knows exactly what effect this is going to have long-term on the valuations. I certainly don't have any pushback. We haven't been working hard on any transactions to get to the point of closing. So I can't give you any real numbers on whether anybody – or exactly where I think the cap rates will end up. If I had to guess right now, I think that they'll be slightly higher than where they are today.

What I do think that we'll see and what we are seeing is that some of the one-off operators just don't realize that they just don't have the ability to handle situations like this. And so, some of our larger operators see great opportunities with further consolidation in some of those areas.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. And then, Steve, can you provide some commentary on the, I guess the G&A expense uptick in 1Q 2020? I know you've kind of mentioned this in your prepared remarks. Is that mostly due to the equity compensation and that's a good run rate we should expect going forward just given the performance that the company has delivered over the past few years?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

Yeah. The answers are yes and yes. It is mostly due to the increased accrual of the performance-based share, which is driven again, as I tried to mention by our past history when our accountants work at estimating really what's a wide range of potential outcomes for share issuance in the compensation plans.

We're now in a position where we have to assume that we're going to continue this extraordinary performance that we've done over the last several years. Again, last year 39% total return to shareholders. We doubled the size of the company. We are positioned now. Our guidance is that our per share FFO will increase by upwards of 25% whether long-term all of that is sustainable and in three years from now when we look back, will we have net all of those hurdles? I don't know. We would all love to think so.

And if we do, then that will be great. But if we don't, then of course these accruals we're making now that all the reason for the increased G&A, they won't actually be paid out. And regrettably the way the accountants work, they won't let us reverse that. But nonetheless, you are absolutely right. That's the primary reason for the increase. And your second question, yes, it is a good run rate.

Michael Carroll
Analyst, RBC Capital Markets LLC

Q

Okay. Great. Thank you.

Operator: Your next question is from the line of Joshua Dennerlein of Bank of America.

Joshua Dennerlein
Analyst, BofA Securities, Inc.

Q

Hey. Good morning, guys. Thanks for all the update.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Hey, Josh.

Joshua Dennerlein
Analyst, BofA Securities, Inc.

Q

Just curious if you could give some more color on the 4% of the portfolio that didn't pay rent. Was that one specific tenant? Was it more than one tenant? And then is there any color you can provide on like geographic or maybe like commonalities across operators or hospitals that kind of didn't pay rent?

Joshua Dennerlein
Analyst, BofA Securities, Inc.

Q

Josh, it's less than a handful of operators. It's generally a situation where they didn't pay all of the rent, but have assured us that they will catch up all that rent shortly. As I mentioned earlier, there isn't anyone that's asked for an abatement. There isn't any one that we've had to do any lease amendments to. And we based on everybody's cash situations, we believe that some of those ones that had deferred some rent, they continue to have a tremendous amount of cash on their balance sheet. They had – it's just been hoarding cash for whatever reason. Obviously the COVID – fear of the COVID continuing longer than I think some of us hope that it will.

Joshua Dennerlein
Analyst, BofA Securities, Inc.

Q

Got it. Thanks. That's it for me. Thank you. Appreciate it.

Joshua Dennerlein
Analyst, BofA Securities, Inc.

Q

Thanks, Josh.

Operator: Your next question is from the line of Jordan Sadler with KeyBanc.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you. I just wanted to follow up on – the G&A is part of it, but also just getting to the run rate guidance, Steve. Maybe you could walk us from the almost $0.40 or so of FFO in the quarter if you add back the $0.024 number to the $0.41 to $0.42 or so embedded in the run rate, looking at per quarter embedded in the run rate guidance. Because it sounds like the G&A is going to stay at the same level. So, what else is expected to happen to drive that run rate higher sequentially?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

The bit in precision is in the capital structure. Three months ago, when we initially put out the $0.65 to $0.68, we were in a normalized environment; and today, it obviously is not normalized. Certain markets may be open, but we're not in a position where we need to go into the markets when we don't think we would get clear pricing. So, there's cushion, wiggle room, uncertainty really around that.

The other issue would be, remember, it is a runway and therefore, there are developments that we don't have a lot of developments, but they are marginally very additive when they come online. And so, we've got the Idaho Hospital, we've got the Birmingham Hospital in England. There are a couple of others that will, all in make us another $0.01 or $0.02. And so, that's really it. It's not with great precision and it leaves room for us to be flexible. We've said we want to get the – we expect to get the leverage down to 5.5x again, when that happens now with equity valuation now. So those are the primary inputs.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.

Q

So just to be clear. So it sort of there would have been an expectation of potentially lower interest expense as a result of sort of going into the markets be it in Europe or wherever. And now, is just you wouldn't necessarily do that today so that $0.01 or $0.02 of upside or that you could start to see that when things normalize. Is that a fair way to think about it?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

Yes. With respect to the capital both the leverage level itself. And then even if the leverage level didn't change, say we stay at 5.9x, the interest cost going into the market today is obviously vastly different. If it can even be measured today versus what it was a few weeks ago. So, but we do hope and expect. And again, given opportunities for upside on the revenue side, that's where the additional, I think the arithmetic is right, starting with the $0.40, plus a couple more cents comes from.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.

Q

And was there any bad debt reserve or expense taken in the quarter, just as a – in terms of a – as a cautious measure, just reflecting the fact that 4% wasn't collected in April or no?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

No, there was not. I'll take the opportunity to answer a question you didn't ask and that is there is a new accounting provision that everybody other than banks basically had to implement this quarter. But that was a prior period adjustment to equity, it did not impact – and it was about around $8 million were accountants now have to estimate. At the time a credit facility is originated, how much it's – will lose over the life of that facility.

So we took a roughly $8 million, $8.5 million charge, but it didn't go into earnings in the period of implementation. It's retained earnings. But, no, that had no impact.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.

Q

Was there a particular lease that, that pertain to or is that just across the board an aggregate?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

It's not leases, by the way, but it is across the board of everything that's not a straight operating lease. So to the extent we have loans in the aggregate and in mortgages even all of that was reviewed and determined that based on history which is very, very difficult because we don't have much of a write-off history, that if you look at all of that number – and I'm sorry I don't have the nominal amount – I'd be happy to get that to you, but it's a very, very small percentage of the – probably $1 billion-plus in exposure.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. And then, on the top operators, I appreciated Ed, the commentary and the fact that you guys were able to pull together the total amount of grants and receipts from the federal government. Can you maybe parse this a

little bit more for us? Just thinking about these top five in particular, are there – not looking for you to tell us who received what per se, but just as you're thinking about it maybe qualitatively, who of these are having the most difficulty in terms of COVID relative to payments? And if any of these folks have been a source of some of the discussions that you've been having that was referred to I guess in that amendment to the 10-K that you had earlier in the quarter?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah. And let me reference the 10-K first. The 10-K was a typical risk disclosure. It was not related to any particular candidate. In fact, if you look at our top five tenants and I'll just remind everybody who they are. It's Steward, Prospect Medical, LightPoint, Prime and Ernest Health. All of those operators continue to perform very well. Many of them like Steward as an example and LightPoint and Prospect Medical – and again, those are the US top five operations that we're talking about at the CARES Act here.

They've reduced all of their elective surgeries and most of their elective surgeries and this did not have bed with any COVID-19 patients. I think that Steward as an example has roughly 7,000 to 8,000 hospital beds and I think they had roughly 1,000 of hospitalized COVID-19 patients. Those are roughly the same types of percentages and numbers that you see for everybody else. But all of them, all of those that I've mentioned are performing very well. They move very, very quickly early on to right-size their operations. They were able to obtain all of the PPE that they needed.

They jump through some hoops in some cases, but that was never an issue for them. Ventilators were never an issue for them. Ernest Health in this category is the only one that's a non-acute care operator. They actually, there we have [indiscernible] (00:48:16) a portion is operating very, very well. They're LTAC operations as you saw from the increase in the coverages earlier have also performed well. So none of these top five US operators or anybody that we're worried about. These are people that I literally talk to on a daily basis during the height of it, at least on a weekly basis now, and updated as late as earlier this week. So I'm confident in all of their operations.

Jordan Sadler
Analyst, KeyBanc Capital Markets, Inc.
Q

Okay. I'll leave the floor. Thanks for the color.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Thank you.

Operator: Your next question is from the line of Connor Siversky of Berenberg.

Connor Siversky
Analyst, Berenberg Capital Markets LLC
Q

Good morning, everybody. Hope all is well. Taking a bit of a long-term view on the situation. I'm wondering if there's any dichotomy in performance for your larger and smaller operator tenants. And then is there any possibility that the fallout from this period would usher in some M&A activity with those operators?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah. So I think there will be a good amount of M&A activity from these operators, these larger operators that I mentioned in the group just a minute ago. All of them are in a good position financially. Their balance sheets are in good positions. They've got good cash reserves and other liquidity reserves. And early on, they recognize that they were going to be winners and losers in this and they had their eyes on some people that they think will make good acquisition targets.

I think those are primarily going to be the one-offs that don't have the ability to handle crises like this as well as some of the larger, more diversified operators too. So we think that they are all going to have great opportunities there.

Connor Siversky
Analyst, Berenberg Capital Markets LLC

Q

Okay. Great. Thanks for the color. And then another one on the ventilator capacity. I'm working under the assumption that in The State of New Jersey for example, we've never actually reached ventilator capacity. So I'm wondering if we see a resurgence of the virus cum colder months if there would be a need to cut back on elective procedures again or if we could kind of keep the ball rolling in that regard.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Gracious, Connor. I don't think anybody has any idea of where we're going to be with this virus and where and when a vaccine becomes available. The good news is, is that if we do have a resurgence in the fall and in the winter months, we've all been here before, I think we'll have a better handle on how to operate. I think that from our operator standpoint in any way, I think that they will be in a very good position should we have any resurgence, but let's hope that we don't, for the whole economy standpoint.

Connor Siversky
Analyst, Berenberg Capital Markets LLC

Q

Right. I can definitely agree with you there. And then one more from me on the construction side of things. Any developing narratives that would suggest hospital interiors would need to be refit out to mitigate the spread of respiratory illnesses in the future?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

So I don't think so, Connor. I think that most hospitals are in a good position from having isolation rooms and isolation wards. There obviously has been some academic-type talk about making rooms bigger, so you can convert single occupancy rooms to double occupancy. And those are the things that we all study for a long, long time.

I think that the private hospitals are probably in better shape than most of the public hospitals that are generally older facilities and maybe less well capitalized. So I think from all of the CEOs that I've talked to about this particular issue, I don't think any of them are concerned about where their particular hospital stand.

You may remember early on Steward was one of the first operators that actually designated in each one of their regions the hospital to be their COVID patients. And I think that that's a good way for people that have more than one facility to operate, because some facilities are better equipped than others for it.

Connor Siversky
Analyst, Berenberg Capital Markets LLC

Q

Right. Okay. Thanks very much for the color. That's all from me.

Operator: Your next question is from the line of Tayo Okusanya with Mizuho.

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC

Q

Hi. Yes. Good morning, everyone. Hope everyone is keeping safe and healthy. Gentlemen, I guess one of the questions I would like to ask is, when we do think about a world where hopefully COVID is behind us, all these elective procedures start to come back going forward, how does one think about kind of the profitability of the hospital systems going forward, especially in a world where we have such high unemployment. You'd probably have a whole bunch of people who would have been paying commercial who suddenly can't pay commercial anymore. So, when you kind of think about what could happen to profitability of the hospitals, does that kind of change your opinion about kind of having credit risk?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Tayo, that's a good question. I think that if you look at in Europe where they're getting back to work quicker than we are here in the US, it's a little bit of a different story because of the way their reimbursement works from an overall standpoint. Let me use Switzerland, probably is the best example. They plan to be fully operational in late May or early June. They're actually going to go to a six-day work week schedule because they expect the volume to be so very strong that they can't get it all done in their typical five-day work schedule.

There're various governments there, remember, Switzerland is more of a confederation than the system that we have here. And so you're dealing with a lot of different states there, but the overall plan that they have is that they will increase their reimbursements to basically have a catch-up type situation through the remaining part of the year. I don't know that that'll continue into 2021 or not.

Here in the US, we hope that most of the unemployment or the large numbers of unemployment as the economy gets back open and working that this won't be like a typical recession. You'll see those workers getting back to work very quickly. But if they're not, if they don't and they don't have health care insurance – and keep in mind, at this point, I'm not sure if anybody has any exact numbers on that, but they're still going to be reimbursed something whether it's reimbursed through a Medicaid-type number or back through some sort of commercial or Medicare-type number, we still believe that the overall impact will be that, when we can get the operations back up and fully running that the hospitals will continue to be profitable. Remember that we were dealing with coverages in the 3.5 times range. So there's a lot of room there.

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC

Q

Okay. Thanks. That's very helpful. And then, just along those lines as well, when we do kind of think about whether it's four to six months from now, a lot of these Medicare advances have to get paid back according to the current rules. What confidence do you have at that point that kind of elective surgeries and all those things would have come back enough and profitability will be robust enough where tenants [ph] can't pay back the Medicare advancement, can't (00:55:48) pay back their interest obligations, [ph] can't (00:55:53) continue to kind of pay your rent. Just kind of curious that the problem going to be in four months or so, when the rubber hits the road in

regards to some of these things having to get paid back and it puts any kind of more stress on the cash flows of hospital systems?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Well, that's a good question Tayo and I don't think anybody knows the exact answer of that and exactly how it will ultimately end up in the repayment of those. But I think when trying to analyze that from our standpoint, and your standpoint as an analyst covering us, the important thing to remember is that even before any of our hospital operators received any of those payments that we were assured by them and through our own analysis that they all had sufficient cash to continue to pay their rent.

So I think that if the hospital operations haven't come back in such a manner that they can make those repayments as are currently planned, two things will happen. One is there'll be an overall adjustment to what those repayment plans, because the US government certainly doesn't want to put hospitals out of business. That will be counterproductive to what they're trying to do here.

And secondly if they haven't come back in full, the way that we've all expected that they will have to come back, then I think some of this cash that they were – they've planned to use before they received it. They could use that cash to make their repayments.

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC
Q

Got you. That's helpful. There's one other one if you'd indulge me. Again, you mentioned that you weren't really doing anything actively in regards to underwriting today. But again, just curious with all the uncertainty, how would you underwrite a hospital transactions today? What would be the things you would have to kind of think about or get comfortable with to pull the trigger on the transaction even if it gets one kind of [indiscernible] (00:57:50) kind of showed up at your doorstep today?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

So let me clarify my comment. We are actively underwriting. We are not actively preparing to close anything, any transactions...

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC
Q

Okay.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

...with the exception of those very few COVID-related type opportunities that we have that we think from the timing are opportunistic, but those aren't large in numbers from our liquidity standpoint. But from an underwriting standpoint, we're underwriting it as if there were no COVID-19, all the things that we don't normally do, is the hospital needed in that community? Is it truly part of the infrastructure? What happens at that hospital closes? If it closes and nobody misses their healthcare needs, obviously it's the same questions that we would always ask.

And then what obviously has become much more important is the strength of the operator. But as Steve talked about some in his prepared remarks, we've done a really good job with our growth that we've had over the last

five or six years with operators that have really strong balance sheet and good financial positions. I think we'll just continue that trend.

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC

Q

Got you. And then one more if you don't mind. Your international operations, do they see the same level of kind of drop-off in admission volumes that we saw in the US as well like in UK, Germany, Australia with admissions volumes also down 50%, 60%, 70% as well?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

So, yes and no. So, it varies from location to location. Australia as an example saw a very similar type drops that we saw here in the US [indiscernible] (00:59:30) on COVID-19 patients transfers from public hospitals of normal patients if you will to make room for the COVID-19 patients within other hospitals. There are some exceptions to that in Switzerland. They've had one hospital that was one of ours that has been dedicated to the COVID-19 patients.

But all of them saw an initial drop. But in Spain and in Switzerland, they didn't saw those patients being replaced with public patients from the public hospitals. Germany is a totally different success story because it's mostly post-acute. They took about two weeks to revamp their operations to take a lot of patients that would have normally been in an acute care setting, but were able to come out and come in into the post-acute quicker. So they saw about a 30% drop very quickly, but all of that has recovered since then.

Obviously, a very, very different story in the UK where the NHS is managing all of the bad accesses, so it's really hard to analyze those particular numbers.

Omotayo Tejumade Okusanya
Analyst, Mizuho Securities USA LLC

Q

Great. All right. Thank you very much and thanks for a lot of the details on the call.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Thanks, Tayo.

Operator: Your next question is from the line of Mike Mueller with JPMorgan.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Oh, hi. Good morning. Just a quick one, Steve. Can you talk...

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Hey, Mike.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Hey. Can you talk a little about what you're seeing in terms of debt availability for the different regions around the globe that you operate in and estimated capital cost for those?

R. Steven Hamner
Executive Vice President, Chief Financial Officer & Director, Medical Properties Trust, Inc.

A

Well, we haven't actually been planning to meet any. Early in the process, I think especially in the high yield area, things kind of froze up, rates have spread, I should say, have widened dramatically. New issue premiums have just from observations of a company that's not really in the market. All of that is to say from our perspective is we're thankful that we have upwards of $2 billion in liquidity. And we don't need to access the debt markets. We are hopeful of course as things come back to normal that the pricing will get back to where it was before the crisis.

Michael W. Mueller
Analyst, JPMorgan Securities LLC

Q

Okay. That's fair. That was it. Thank you.

Operator: Your next question is from the line of Todd Stender with Wells Fargo.

Todd Stender
Analyst, Wells Fargo Securities LLC

Q

Hi. Thanks. Hope you guys are well.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

We are Todd. Thanks for asking.

Todd Stender
Analyst, Wells Fargo Securities LLC

Q

Sure thing. Elective surgeries, just to stay in that theme, really that's top of mind I would think for some investors as far as health systems getting back in their feet and generating revenue. How is your geographic footprint at least here in the US weighted towards states that look to be reopening sooner than later?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

A

Most of where we are looking to reopen sooner rather than later. We don't have anything in New York and we don't have much in the Northeast. So probably Massachusetts would probably be one of those last states to reopen for us. But Florida, Alabama, the lots of the West are areas that expect to get reopened fairly quickly. Now the question will be, as I mentioned earlier, how places like Germany and Switzerland do? Are they going to some of the first to reopen and then some of the states here that are reopened quickly, we'll see whether there's any resurgence in the – has any effect there.

But we've have a lot of hospital capacity that's been sitting around, awaiting for the COVID-19 patients that just didn't materialize in a very big way. So, I think that we'll see in in May and in June, a lot of those surgeries getting back going.

Todd Stender
Analyst, Wells Fargo Securities LLC

Q

Those patients, Ed, that have been either moved out of the hospitals have really the acute, is that fair, whether it's rehab, LTAC, even skilled nurses...

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Or home.

Todd Stender
Analyst, Wells Fargo Securities LLC
Q

are sent home.

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Or home.

Todd Stender
Analyst, Wells Fargo Securities LLC
Q

Yeah. Or just stayed there?

Edward K. Aldag, Jr.
Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.
A

Yeah. Right.

Todd Stender
Analyst, Wells Fargo Securities LLC
Q

Do you see an – of rising appetite from you guys? I know you're certainly more in acute care side, maybe a bigger appetite going forward for post-acute, just in the sense of healthcare migrating towards the lowest cost setting?

Todd Stender
Analyst, Wells Fargo Securities LLC
Q

Todd, I think that we'll have some opportunities in Europe from the post-acute care setting. It's slightly different than what we have here in the US. In the US we've always remained strong on the inpatient rehabilitation business. We actually have also liked the LTAC business. The market just hasn't liked it very much, but maybe they've proven their worth to the industry because they certainly have been very needed in this timeframe.

The real problem for the post-acute here in the US for us, is that there's just not that much volume. So even if we doubled what we had now, it just wouldn't be that much volume.

Todd Stender
Analyst, Wells Fargo Securities LLC
Q

Okay. That's helpful. Thank you.

Operator: At this time, there are no further questions. I'll turn the call back over to Ed Aldag to close the call.

Edward K. Aldag, Jr.

Chairman, President & Chief Executive Officer, Medical Properties Trust, Inc.

Thank you, Stephanie. And again, all of you, we appreciate you being on the call today. We appreciate your questions. If you have any further questions, please don't hesitate to contact any one of us. And prayers to all of your family and hope you all remain safe. Thank you very much.

Operator: Thank you. This concludes today's meeting. You may now disconnect.